CSSB

The Civil Service Superannuation Board

2006 Annual Report

For more information...

You may make an appointment to view any of the following at The Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- A copy of The Civil Service Superannuation Act (Act) and all amendments
- The Annual Information Return submitted each year to the Pension Commission of Manitoba
- A copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination of employment.

For further member information, visit our website **www.cssb.mb.ca**

The Civil Service Superannuation Board

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Minister Responsible
for The Civil Service Superannuation Act

May 11, 2007

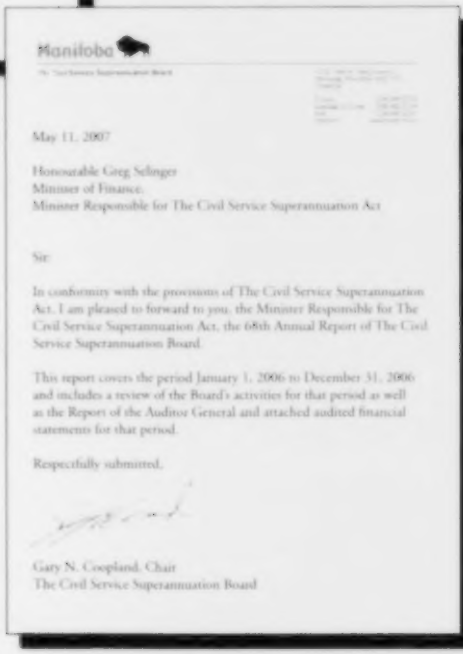
Honourable John Harvard
Lieutenant Governor of Manitoba

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 68th Annual Report of The Civil Service Superannuation Board for the calendar year ended December 31, 2006.

Respectfully submitted,

Honourable Greg Selinger
Minister of Finance,
Minister Responsible for
The Civil Service Superannuation Act



Manitoba

May 11, 2007

Honourable Greg Selinger
Minister of Finance,
Minister Responsible for The Civil Service Superannuation Act

Sir:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 68th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2006 to December 31, 2006 and includes a review of the Board's activities for that period as well as the Report of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

Gary N. Coopland, Chair
The Civil Service Superannuation Board

The Civil Service Superannuation Board

Board Members and Management

The Civil Service Superannuation Board

Chair

Gary N. Coopland
Retired, Vice-President Investments
The Great-West Life Assurance Company

Employee Representatives

Ray Erb
Civil Service Representative
Staff Representative, Pensions & Benefits
Manitoba Government & General
Employees Union

David Jurkowski*
Civil Service Representative
Manitoba Finance

Brent Reed*
Manitoba Hydro Representative
Employee Compensation & Benefits Department
Manitoba Hydro-Electric Board

Susan Rusk*
Civil Service Representative
Intergovernmental Affairs and Trade

Employer Representatives

Tom Bleasdale
Retired
Assistant Deputy Minister of Labour

Gabriel Forest, f.c.a.
Chartered Accountant

Carmele Peter
Solicitor
Aikins, Macaulay & Thorvaldson

Dr. G. Les E. Ullyot
Family Physician
Rivergrove Medical Centre

* David Jurkowski, Brent Reed and Susan Rusk served on the Board until December 31, 2006 at which time they were replaced by newly elected members Wayne Andon, Monica Girouard, and Ryan Wiebe (Manitoba Hydro).

Management

Bruce Schroeder, General Manager

Allen Borle, Director, Finance and Investment Communications & Management Services
Robert Derksen, Director, Communications and Client Services
Dawn Prokopowich, Director, Client Services Administration
Robert Riddell, Director, Management Information Systems

Lindsey Fuller, CFA, Chief Investment Officer
Ellement and Ellement, Consulting Actuary

Standing Committee Members

Investment Committee

Members of the Investment Committee are appointed by the Lieutenant Governor in Council based on their investment expertise, legislative requirements or, in the case of the employee representative, elected by the employee representatives of the Board.

Chair

Peter G. Munro (effective 11/30/2006)*
Executive Vice-President, Chief Investment Officer,
The Great-West Life Assurance Company

***Gary N. Coopland**^*
Retired, Vice-President Investments
The Great-West Life Assurance Company

Dick Archer*
Chair, I.G. Investment Management Ltd.

***Ewald Boschmann**^*
Deputy Minister of Finance, Province of Manitoba

Charlie Curtis*
Retired, Deputy Minister of Finance, Province of Manitoba

***Ray Erb**^*
Civil Service Representative

***Bruce Schroeder**^*
General Manager, The Civil Service Superannuation Board

Stan Susinski*
Retired, Chief Investment Officer, Alberta Finance

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

Vince Warden
Vice-President, Finance and Administration and CFO,
Manitoba Hydro-Electric Board

* Appointed based on investment expertise
^ Required by legislation

Finance and Audit Committee

Gabriel Forest, f.c.a. - Chair
Carmele Peter - Employer Representative
Currently Vacant - Employee Representative

Compensation Committee

Currently Vacant - Chair
Gary N. Coopland - Board Chair
Currently Vacant - Employee Representative

The Civil Service Superannuation Board

The Board has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all Plan members and beneficiaries. It is also responsible to:

- Ensure that staff fulfill the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- Delegate the day-to-day management to the General Manager and staff
- Provide overall direction and approval of policy items

These duties are vested in four members that are elected by participating employees, and five members including a chair that are appointed by Government. The Board meets 10 to 12 times per year.

As the Plan trustee, the Board is required to:

- Manage The Civil Service Superannuation Fund (Fund) in accordance with the rules of the Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- Obtain an actuarial valuation every three years
- Regularly review its investment policy
- Obtain an independent audit each year
- Prepare an Annual Report

The day-to-day management of investment assets and delivery of pension and insurance benefits is accomplished by a dedicated and diverse team consisting of 52 staff members.

Your Pension Plan

Your Plan is a "defined benefit" plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. Being a defined benefit plan means that a fixed percentage of salary is contributed yearly by participating members. For these contributions, pension benefits are earned. While some employers presently match employee contributions, others are obligated to fund their share of benefits paid in the future.

The amount of pension a member will receive is not directly related to investment returns. Good investment returns are necessary to secure the Fund's ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

The Plan allows for retirement after age 55 assuming the member has at least ten years of qualifying service. Unless the person is age 60 or older, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive a pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan in each of two successive calendar years).

Highlights

		2006 (*)	2005 (*)
Financial	Rate of Return on Investments	12.85%	14.50%
	Investments at Market Value	3,836,359	3,384,202
	Net Investment Income	113,716	96,680
	Current Period Change in Fair Value of Investments	280,247	297,292
	Employee Contributions	100,844	90,885
	Employer Payments	111,803	100,715
	The Province of Manitoba Unfunded Pension Liability Trust Account	274,117	200,245
	Pension Payments	211,617	195,061
	Refunds and Transfers	25,490	18,306
	General Expenses - Net	1,614	1,552

* $Thousands unless otherwise noted

		2006	2005
Membership	Non-Retired Members	30,005	29,750
	Retired Members and Other Recipients	14,101	13,528
	Total Members	**44,106**	**43,278**

Other Plans Under Administration	Manitoba Telecom Services Inc.^	6,446	6,574
	Money Purchase Accounts Plan	1,574	1,485
	Centra Gas^	888	905
	Winnipeg Child and Family Services^	412	704
	MLA's^	119	119
	Legislative Assembly Pension Plan	33	n/a
	Total Membership (all Plans)	**53,578**	**53,065**

^ Active and Retired

Message from the Chair

GARY N. COOPLAND

On behalf of the members of the Board, I am proud to present to you the 2006 Annual Report for The Civil Service Superannuation Fund.

The Investment Team and our Chief Investment Officer, Lindsey Fuller, once again shepherded our investments to a rate of return of 12.85%, almost double the rate required by our actuarial assumptions. While our rate of return was slightly below benchmark, we must remain mindful that over the last five years alone, the Board's investment policy has been responsible for $403 million of added value. I wish to express my appreciation to all members of the Investment Committee for their role in developing our investment policy and to the internal team of investment professionals for their hard work and dedication.

Over time, legislated Plan improvements, while benefiting stakeholders, have increased the complexity of benefits delivery. Fortunately for stakeholders, the Board has supported Management's vision and business plans over the years and it is with gratitude that we collectively acknowledge the contribution made by retiring General Manager Bob Covernton. Under Bob's guidance, Management was consistently able to meet Board expectations by providing efficient and equitable treatment to all members of the Fund with excellence. It has been my pleasure to work with Bob over the years.

Under a Board-approved succession plan, we welcome Bruce Schroeder to his new role as General Manager. Bruce was formerly the Fund's Director of Client Services Administration and becomes only the fourth person to hold the position of General Manager since the Fund's inception in 1939.

The terms of several Board members expired on December 31, 2006. I wish to thank Brent Reed, Manitoba Hydro representative, for his service on and contribution to the Board. Also, thanks to David Jurkowski, Civil Service representative – Manitoba Finance, a Board member who also served on the Finance and Audit Committee. Finally, thanks to Susan Rusk, Civil Service representative - Intergovernmental Affairs and Trade. Susan served on the Compensation Committee, the Governance Committee and was Vice-Chair.

A pension plan, in many cases, ranks as one of the most valuable and important assets acquired in one's lifetime, therefore, the vision of the Board must be long term. To Chair a Board whose members are dedicated to ensuring that the Plan's viability is sustained over a long period of time is rewarding. I look forward to working with new Board members in 2007 and to meeting the challenges of the future.

On behalf of the Board and the stakeholders, I would like to express my sincere appreciation to the staff of the Board for their efforts in maintaining and improving the services that they provide to the membership.

Message from the General Manager

Bruce Schroeder

The past year has been a year of transition for The Civil Service Superannuation Fund (CSSF). Mr. Bob Covernton, the third General Manager in the Fund's 68 year history, retired on December 31, 2006. During the year, the Board's succession plan was implemented, resulting in a gradual transfer of Bob's responsibilities. Bob's experience and expertise will be missed and we wish him a long, healthy and happy retirement. I look forward to continuing and building upon the strong relationships that have been established with all stakeholders.

The method and timing of the election of employee representatives on the Board changed in 2006. Timeframes were standardized and the ballot verification process was simplified. We feel these changes contributed to the 54% increase in the number of eligible ballots compared to the last election. The increase in the number of ballots received, and the reduction in unverifiable ballots from 13% to 2%, seems to indicate that the changes to the process had positive results.

The elected Board members assumed their roles effective January 1, 2007. I would like to take this opportunity to welcome the new members of the Board and thank the former members for their years of service.

Solid investment returns in 2006 continued to strengthen the CSSF's ability to keep pension benefits secure. The annual rate of return was 12.85%, well above the actuarial rate of 6.5%. Continually exceeding the actuarial rate means that benefits are secure and reserves can be established for years where investment returns may not be as high. Although the Fund's five-year return has averaged 11.08% and the 10 year return has averaged 9.7% compared to an average actuarial rate of 6.650% and 6.925% respectively, we always have to be mindful that market volatility can impact future returns. Investment returns are a large component of the continued health of the Plan and the goal to provide consistent performance remains a high priority. Although there is a tendency to focus on short-term returns, the health of a pension plan is determined over the long-term.

The Board launched a newly designed website in 2006. The site has been streamlined to be more user-friendly for all stakeholders. We are exploring the use of the Internet to further enhance our services in 2007. Examples of possible enhancements include providing address change forms and the ability for pensioners to print T4A's. The online pension estimator continues to be a popular feature with over 8,600 members registered. In 2006, there were more than 77,000 pension estimates and 9,000 termination estimates run by 4,542 members.

There are a number of issues that will challenge the CSSF in 2007. The 2007 Federal Budget allows for income splitting of pensions. While this may not require direct action on our part, we will have to be aware of the details as they unfold to be able to respond to queries. Also in the Budget is a change to The Income Tax Act (ITA) that will allow a member to accrue pension benefits and receive a pension from the same plan at the same time. This may involve a significant time commitment depending on the requirements of the provision in the ITA.

Another issue that may impact the Fund is the proposed changes to the Canadian Institute of Chartered Accountants handbook concerning how pension plan investments are presented on the balance sheet. We will be working with the Fund's actuary to determine if the changes are applicable to us.

I would like to thank the staff for their ongoing efforts with the CSSB. Thanks also to the Board for their support and commitment throughout this year of transition. Members are fortunate to have such caring, hard working and skilled individuals looking out for them.

Investments

Guidelines and Practices

Policies and Procedures

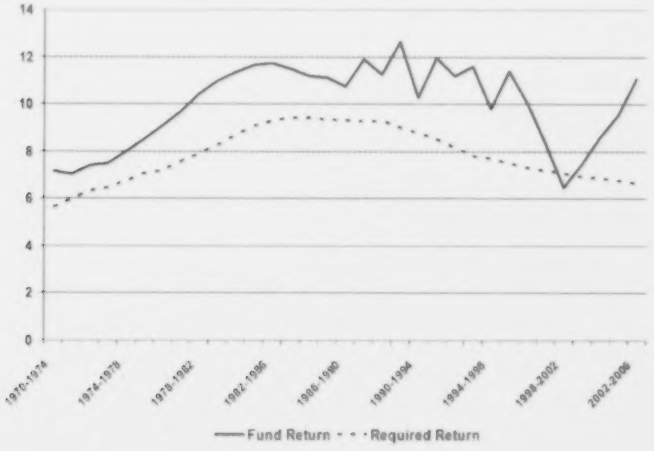
The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision-making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into effect and is monitored for compliance. The SIP&P includes such things as appropriate asset mix limits, investment grade quality, holding limits, investment objectives, valuation procedures and investment management structure.

"Asset mix is the single most important factor in determining pension fund performance."

Asset mix is the single most important factor in determining pension fund performance. Different risk elements relating to market volatility and potential returns are factored into an investment decision. Investments that produce lower returns are generally a result of lower risk or volatility. In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes and across the world's economic regions.

Long-term Success of Investment Policy

The ultimate success of the Fund's investment policy is measured by how well it meets the long-term obligations for its members. An Actuarial Valuation on the Fund, which is conducted every three years, is the best way to measure this obligation. With the exception seen in 2002, the Fund's five-year moving rate of return has exceeded actuarial requirements consistently over the past 30 years. Even in 2002 when the Fund's rate of return may have been below required levels, it was one of the best performing pension funds in Canada. The chart below displays how well Fund performance has met its test.



Governance

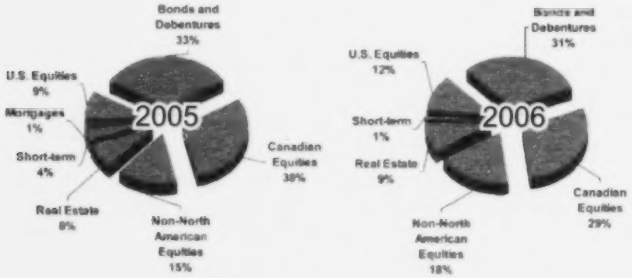
Once again, the Board engaged an audit firm to ensure that the methodology employed in calculating the Fund rates of return conformed with the standards recommended by the Institute of Chartered Financial Analysts. As in prior years, the Board received an unqualified audit opinion.

The Board and sub-committees regularly receive management-certified compliance reports and informational material to assist with oversight requirements. In addition, the Board reviews and formally approves the minutes of all sub-committee meetings.

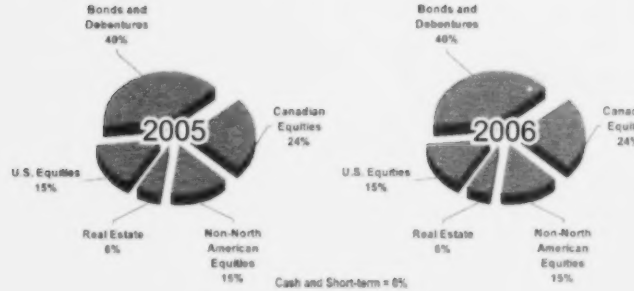
Policies and procedures that continue to guide or impact investment decisions include:

- Statement of Investment Policies and Procedures
- Investment Manager Mandates
- Proxy Voting Policy and Guidelines

Fund Investments



Investment Policy



Overview

Contractual Investments

- Continued to underweight the bond portion of the Fund
- Maintained low cash reserves

Equity Investments

- Continued to underweight U.S. equities
- Continued exposure to emerging markets
- Continued to overweight Canadian equities, particularly oil and gas, through the Board's private operating company, Superman Resources Inc.
- Overweighted real estate

"The Fund generated double digit returns for the fourth year in a row."

The Fund generated double digit returns for the fourth year in a row. Rising short-term rates in most developed countries had little effect on equity prices as global liquidity remained plentiful. Bond yields, which generally changed little over the year, resulted in modest returns. The U.S. dollar depreciated almost 7%, which had a positive effect on U.S. multi-national companies' profits.

Commodities were again a major story. Oil, as measured by West Texas Intermediate, traded as high as $81 U.S. per barrel and as low as $52 before closing the year at $61 per barrel. Natural gas fell from $10 U.S. per thousand cubic feet in the spring to $6.50 by year-end. Most other commodities continued strong until late summer before giving back some of the gains from 2005. Fears of slowing growth in the United States and China were behind many of these moves.

Led by German exports, Europe finally experienced some economic growth with improved consumer spending in most countries. Continued strife in the Middle East affected the returns in the region, but otherwise had no noticeable effects. Emerging markets continued to be a major beneficiary of ample world liquidity.

For the fifth year in a row, all asset classes experienced positive returns. Driven by strong equity and real estate markets, the Fund benchmark, or expected return was 13.01%. Although our decision to be heavily overweight equities made a positive contribution, underperformance from Superman Resources Inc. and some of our North American equity portfolios, resulted in the Fund underperforming the benchmark by 0.16% for a Total Fund return of 12.85%, well above the actuarial requirements. This translates into approximately $4.8 million of negative added value versus the benchmark. This is the first year since 1999 that we have not added value over the benchmark.

After two outstanding years, Superman Resources Inc., which is approximately 4% of the Fund, produced a negative return of 2.89%. The real estate portfolio continued to perform well, returning 20.74%. Canadian equities, benefiting from generally strong commodity prices, produced 12.28%. International equities delivered a 27.52% return and U. S. equities 13.88%. Bond returns, where the Fund was underweight, delivered 4.61%.

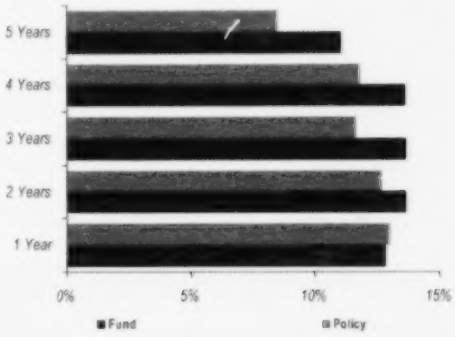
Performance

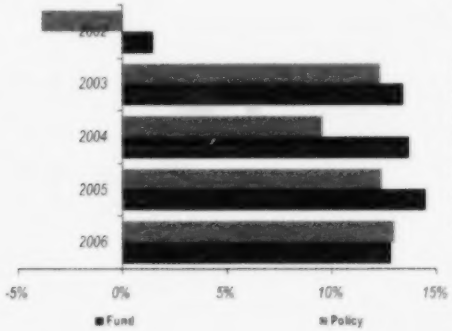
Calculation Methodology

The returns are time-weighted rates of return before fees and expenses. They are calculated in accordance with the methodology recommended by the CFA Institute and have been audited by Deloitte & Touche LLP.

Total Fund

The Fund enjoyed another year of strong returns, earning 12.85%. This increased the moving average five-year return to 11.08%, far superior to its policy, or expected return of 8.48%, and higher than the actuarial requirement of 6.50%. The graph on the right illustrates the outperformance of the annualized return over the Fund policy over the past five years. The graph below shows each individual year's outperformance.

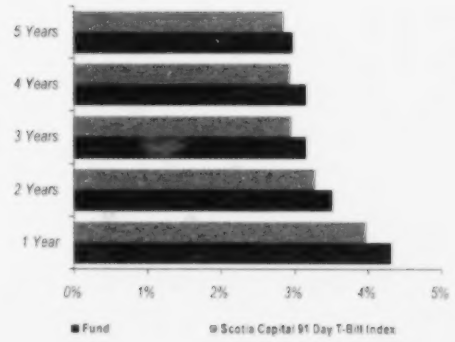




During the year, performance was a result of an overweight towards Canadian equities and real estate, exposure towards emerging markets, and an underweight towards bonds and U.S. equities. The performance of the Board's oil and gas company detracted from returns after several very strong years.

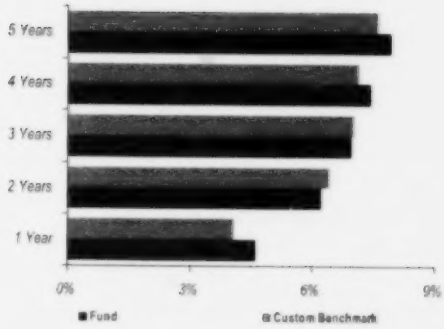
Cash and Short-term

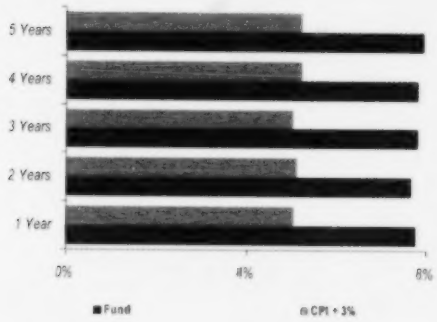
The money market portion of the Fund generated a return of 4.32%, which resulted in a 34 basis points (bps) outperformance over the Scotia Capital 91 Day T-Bill Index.



Bonds and Debentures

While there was significant volatility throughout the year, Canadian long-term interest rates finished the year relatively unchanged. We were able to take advantage of a number of changes in the market. This resulted in bonds solidly outperforming the index returning 4.61% versus 4.07%.



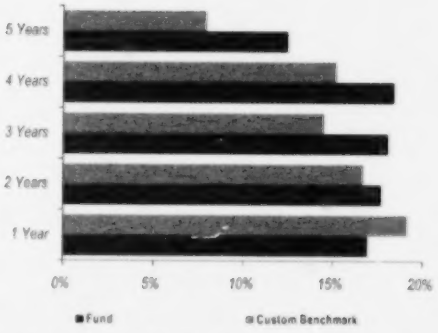


Real Return

Products such as Index-Linked mortgages remain a designated vehicle to fund the Cost-of-Living Account for future benefits. Real return investments earned 7.77% in 2006 compared to its benchmark of 5.04%.

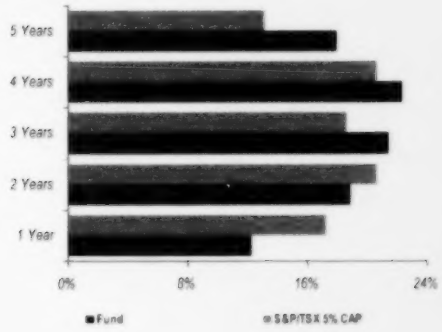
Total Equity

The indices used to measure the performance of the Fund's stock portfolio are Canada's S&P/TSX 5% Capped Index (S&P/TSX 5% Cap), the U.S. Standard & Poor's 500 Index (S&P 500) and The Morgan Stanley Capital International Index for Europe, Australia and Far East (MSCI EAFE). Based on the Fund's SIP&P, an assumed equity mix of 24% Canadian, 15% U.S. and 15% EAFE countries (prior to April 1, 2005 - 24% Canadian, 16% U.S. and 9% EAFE) for total Fund assets is considered normal. As a percentage of total equity investments, this translates into 44% Canadian, 28% U.S. and 28% EAFE countries. This is referred to as the benchmark for total equities.



Our internal managers were unable to add value over their respective benchmarks in the face of a strong momentum-driven market. Canadian equities underperformed, 15.01% versus the 17.27% benchmark, and U.S. equities underperformed, 12.65% versus the 15.35% benchmark. Both portfolios added significant value in the first two months of 2007, based on the longer term fundamental positions they held. Our external managers, Galileo, slightly underperformed the index, and KBSH slightly outperformed their benchmark.

The internally managed international portfolio beat the benchmark by 2.80%, returning 28.66% versus 25.86%. Both of the external EAFE managers added value, Pyrford adding 2.09% and Marathon adding 2.68%. The Fund's exposure to emerging markets did not work out as well this year. The Asian portfolio was strong, generating 28.26% but the global portfolio generated only 25.53%, underperforming the index.

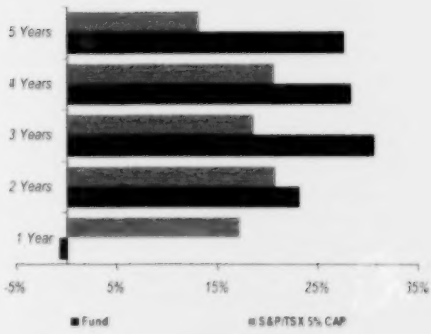


Canadian Equity

Canadian equities, buoyed by strong commodity prices, delivered good returns during 2006. Our internal, value driven style, did not match the S&P TSX index returns, as we sold into strong markets that continued to rise. The Fund's oil and gas company, Superman Resources Inc., although adding significant additional reserves, suffered from natural gas prices falling 30% during the year. Overall, the total Canadian equity portfolio underperformed the S&P TSX benchmark 12.28% versus 17.27%.

Private Equity

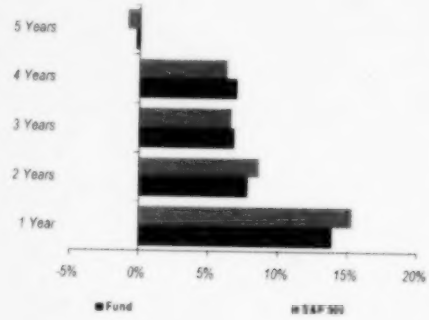
Superman Resources Inc., while adding more to the reserve base than was produced during the year, suffered from the 30% decline in natural gas prices. After taking this into account, the return was (2.89)%. This will continue to be one of our more volatile assets as swings in petroleum prices affect the market value of the company. To keep this negative return in context, it comes after returns of 65.94% in 2005 and 48.28% in 2004. We will continue to explore and develop the properties we own while looking for selective additions. We successfully sold our major oil producing property during the summer when oil prices were at their peak.



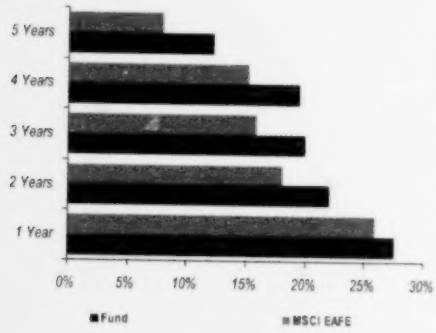
We have participated in two private equity funds, one focused on Manitoba based investments and the other with a Manitoba based investment team. Both funds have been successful in originating a strong flow of investments over the year. As the portfolios have become more mature, we are starting to realize returns. Frontier delivered 10.43% and RFG delivered 17.30%.

U.S. Equity

The U.S. equities asset class returned 13.88% in the past 12 months compared to its S&P 500 benchmark of 15.35%. The increase in the S&P 500 index became more narrowly focused as the year went on. Stock selection was more of a factor than recent years. Some of our longer term positions did not perform as well as the index, negatively impacting performance.



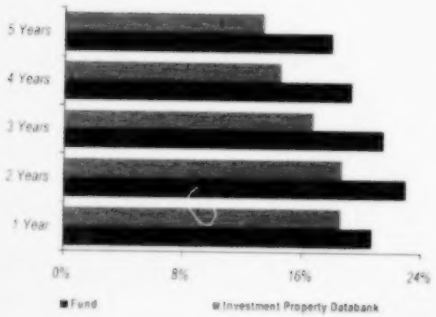
Non-North American Equity



The Fund's combined Non-North American equities posted returns of 27.52%, outperforming the MSCI EAFE index by 166 bps. Nearly 55% of the equity portion of the Fund is in emerging markets where Investors Group (Hong Kong) and Lloyd George Management returned 28.26% and 25.53% respectively. One of the Fund's external EAFE managers, Marathon Asset Management, exceeded its benchmark by 268 bps while the other, Pyrford International plc, added 209 bps. The internally managed International portfolio added 280 bps over the EAFE benchmark.

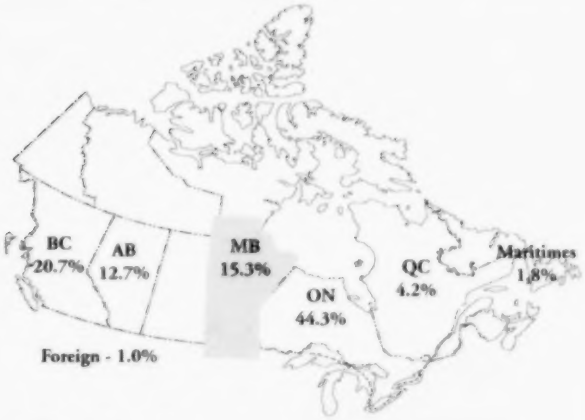
Real Estate

2006 again saw Real Estate deliver strong returns, producing 20.74% versus a 18.62% benchmark. Capitalization rates continued to fall, but we believe most of that effect is in the past. Going forward, we expect more modest returns from this asset class. Our portfolio benefited from very positive returns from several development projects. Development started on our first international investment, a residential development in Tokyo.



The portfolio continues to be diversified by property type and location with investments from coast to coast. Manitoba investments represent over 15% of portfolio assets and include several major properties such as Pembina Crossing Shopping Centre, Crossroads Station Shopping Centre and the office buildings at 155, 175 and 185 Carlton Street in downtown Winnipeg.

Distribution by Geographic Location



Strategy and Outlook

Although it has become the consensus view, we continue to expect a soft economic landing in the U.S., the world's largest economy. This should be viewed as a pause in an ongoing longer-term cycle rather than the end of a business cycle leading to a recession. Such a scenario should have favourable effects by moderating inflation and the demand for both industrial and, to a lesser extent, food commodities. There exists a number of extended real estate markets worldwide, but the monetary authorities are well aware of this and are working to manage a return to more normal markets without causing undue stress to their respective financial systems. Liquidity conditions remain favourable, thus supporting financial asset prices.

We continue to favour emerging markets over the more developed markets for a number of reasons. First, despite the significant appreciation we have witnessed, valuations are still somewhat cheaper than developed markets, although nowhere near as cheap as in 2003. Second, the return on equity and excess return over the cost of capital continues to be very favourable in a number of these markets. Third, many of the countries, such as Brazil and Indonesia, are unwinding restrictive monetary policies, and there should be a resultant noticeable pickup in economic activity as interest rates decline. The potential downside to this position is that as valuations have become closer to the more mature developed markets, event risk will likely lead to more volatility in these markets.

We anticipate a period of sedate returns from fixed income investments and are likely to maintain our asset weighting close to the policy minimums.

We are continuing to experience value creation from the various real estate development projects in the portfolio but new attractive investments continue to be difficult to find.

Diversification, Growth and Stability

Fund Investments

	2006 (*)	2005 (*)
Contractual Investments		
Cash and Short-term	57,409	122,564
Bonds and Debentures	1,160,337	1,103,049
Mortgages	39,816	35,358
Equity Investments		
Canadian Equities	1,108,151	1,020,382
U.S. Equities	453,856	321,325
Non-North American Equities	671,165	494,143
Real Estate	345,625	287,381
Total Investments	3,836,359	3,384,202

* $Thousands

Membership

Member Services

The Board offers the following services to members and their families, financial planners, solicitors, etc.:

1. Individual Meetings

Members can meet with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. Laptop computers and the Internet allow for services similar to those provided at the Board office in Winnipeg to be offered in rural areas like Brandon and Dauphin. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

2. Pre-Retirement Planning Seminars

The pre-retirement planning seminar program is a one-day session designed for employees who are beginning to plan for retirement. They are presented in major centres throughout Manitoba for groups of 15 to 50 people, and members are encouraged to bring their spouses. The focus of these seminars is on pension and insurance benefits offered through the Board, although the presentation and course materials also include information on Federal benefits, estate planning, use of leisure time, and health considerations.

3. Employee Pension and Insurance Seminars

The employee information seminars focus on pension and insurance benefits, such as eligibility, entitlement to benefits, family protection, disability, death, marriage separation, etc. They are presented to groups of 15 to 250 employees of the Government and its related boards, commissions, and agencies, and last for two to three hours.

4. Personal and General Inquiries

Board staff are available to answer questions by way of phone and written communication.

5. Electronic Communications

The Board has a website and online services, allowing members to view general information and obtain detailed personalized information at their convenience.

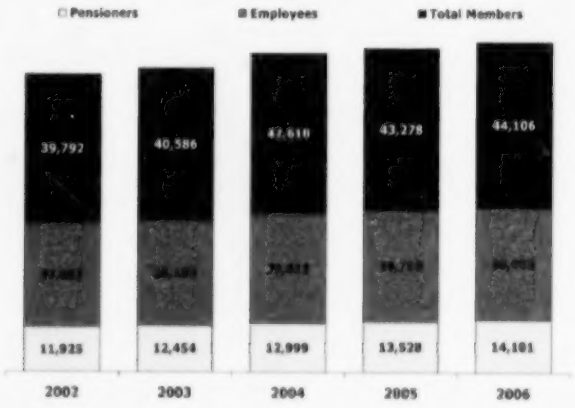
Highly qualified staff are available to meet your information needs with respect to enrolment, retirement, disability, termination and pension projections for estate and retirement planning.

We ask that you have your personal identification number (PIN), social insurance number (SIN), or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

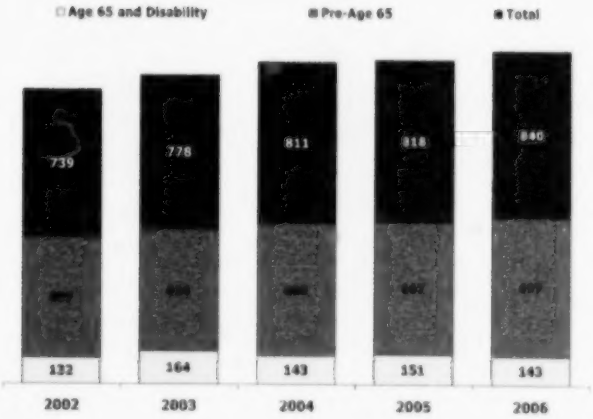
Members/Retirements

- Total members increased by 828 to 44,106 during 2006
- Employees/former employees participating in the Fund increased by 255 to 30,005
- Pensioners/beneficiaries increased by 573 to 14,101

Total Members



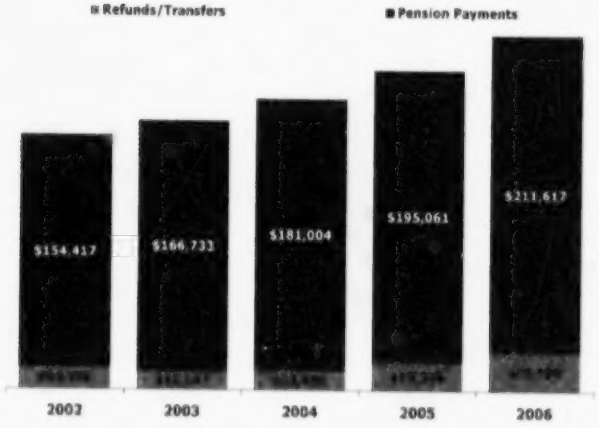
Retirements



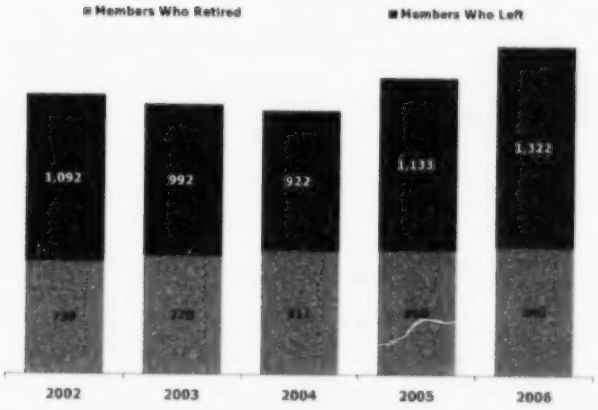
Paying Your Benefits

- 14,101 pensioners/beneficiaries were receiving pension benefits at the end of 2006
- $211.6 million was paid in pensions

Payments from the Fund (Thousands)



Former Contributors



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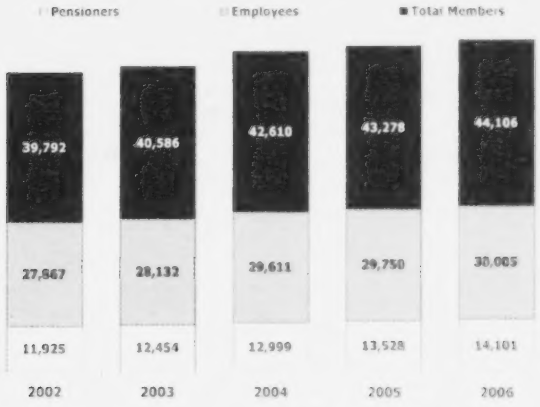
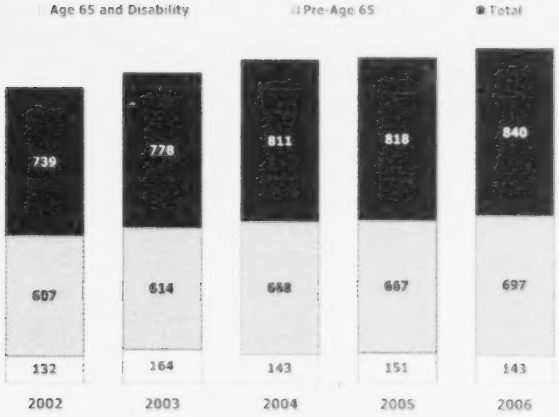


Retirements



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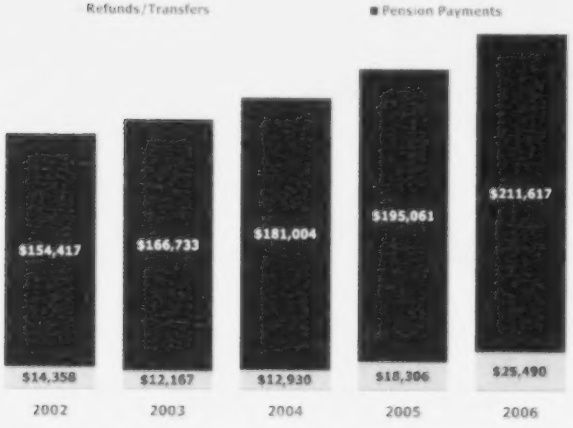


Former Contributors

Employees/Former Employees

The distribution of employees/former employees by employer as at December 31, 2006 was as follows:

Non-Matching Employers	Males	Females	Total
Province of Manitoba Civil Service	6,758	7,512	14,270
Manitoba Hydro-Electric Board	3,945	1,322	5,267
Manitoba Public Insurance	762	970	1,732
Red River College	508	603	1,111
Liquor Control Commission	289	265	554
Assiniboine Community College	120	175	295
Addictions Foundation of Manitoba	83	211	294
University College of The North	97	142	239
The Legal Aid Services Society of Manitoba	43	82	125
Manitoba Centennial Centre Corporation	36	14	50
Teachers' Retirement Allowances Fund Board	10	24	34
Communities Economic Development Fund	10	6	16
The Council on Post-Secondary Education	3	7	10
Manitoba Horse Racing Commission	2	2	4
Diagnostic Services of Manitoba	2	-	2
Regional Health Authorities			
Brandon	56	172	228
Winnipeg	18	207	225
Central	19	89	108
Assiniboine	8	90	98
Interlake	9	73	82
Parkland	16	56	72
South Eastman	3	26	29
Nor-Man	1	27	28
North Eastman	2	22	24
Burntwood	1	13	14
Total Non-Matching	**12,801**	**12,110**	**24,911**

Matching Employers	Males	Females	Total
Manitoba Lotteries Corporation	576	507	1,083
Manitoba Housing Authority	180	139	319
Manitoba Agricultural Services Corporation	71	92	163
Manitoba Crop Insurance Corporation	116	14	130
Manitoba Government and General Employees Union	30	36	66
The Civil Service Superannuation Board	26	28	54
Gaming Control Commission	26	25	51
Manitoba Hydro Utilities Service	38	8	46
Travel Manitoba	9	25	34
Food Development Centre	11	14	25
Manitoba Floodway Expansion Authority Inc.	11	14	25
Dairy Farmers of Manitoba	7	14	21
Industrial Technology Centre	14	7	21
Manitoba Pork Marketing Co-op Inc.	12	7	19
Manitoba Pork Council	6	7	13
Manitoba Development Corporation	6	4	10
Manitoba Film and Sound Recording Development Corporation	2	6	8
Manitoba Arts Council	-	6	6
Crown Corporations Council	2	3	5
Manitoba Chicken Producer Board	1	4	5
Sport Manitoba	4	1	5
Manitoba Turkey Producers	-	3	3
Paletta & Company Hotels	3	-	3
Venture Manitoba Tours Ltd.	3	-	3
Economic Innovation and Technology Council	-	1	1
Manitoba Hazardous Waste Management Corporation	1	-	1
Total Matching	**1,155**	**965**	**2,120**

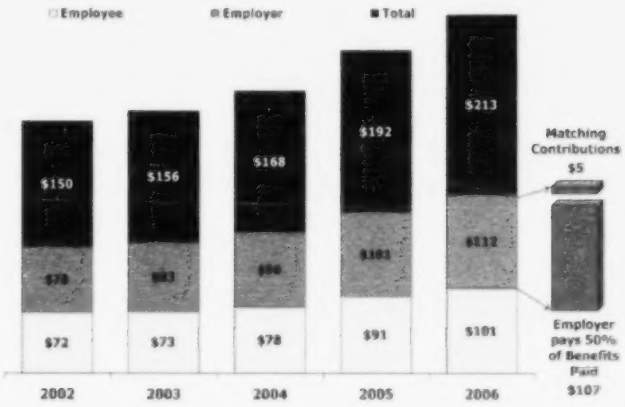
Other	Males	Females	Total
Deferred Pension Accounts	1,202	1,457	2,659
L.T.D. Recipients	41	118	159
Manitoba Reciprocal Agreements	93	63	156
Total Other	**1,336**	**1,638**	**2,974**

Total (Non-Matching, Matching, Other)	**15,292**	**14,713**	**30,005**

Employee Contributions/Employer Payments

- Employees contributed $100.8 million to the Fund compared to $90.9 million in 2005
- Employers paid $111.8 million to the Fund compared to $100.7 million in 2005
- 89.8% of your contributions fund basic pension and beneficiary benefits
- 10.2% of your contributions are allocated for cost-of-living benefits

Contributions and Payments (Millions)



Employees and Employers share the cost of the plan. Each year employees contribute the following:

- 6% on earnings up to Canada Pension Plan maximum earnings ($42,100 in 2006)
- 7% in excess of that amount

Employer payments include:

- Approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers
- Payments made by matching employers

Cost-of-Living Allowance

- 10.2% of employee contributions and matching employer payments go to a separate indexing account to fund cost-of-living increases (COLA)
- The account funds approximately half the COLA increase while employers pay their share
- Pensioners and beneficiaries receive an annual increase to a maximum of ⅔ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2006 was 1.43%

Cost-of-Living Account

The Board has been advised that the Employer Advisory Committee and the Employee Liaison Committee have agreed to transfer existing surplus to the COLA Program and is currently awaiting legislative approval.

Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by:

- Investment income
- Employee contributions
- Employer payments

These assets are used to finance the payment of the Fund's portion of the basic pension, the indexing benefits, and the employers' share for several matching employers.

The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts:

1. Basic Benefits Account

- Finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)

2. Indexing Benefits Account

- Has been specifically established to finance the Fund's share of cost-of-living benefits paid to members
- 10.2% of employee contributions and matching employer payments are credited annually to this account

The cost-of-living benefit payments are limited to the extent that the Indexing Benefits Account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to ⅔ of the increase in the CPI until the account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2006 are summarized below.

	Fund (*)	Non-Matching Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	3,047,560	See Note Below	
Indexing Benefits Account	184,446		
Total	**3,232,006**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (including future benefits)	2,951,335	2,411,901	5,363,236
Indexing Benefits Account	131,136	127,397	258,533
Total	**3,082,471**	**2,539,298**	**5,621,769**
3. Actuarial Position/Funds Available			
Basic Benefits Account	96,224	See Note Below	
Indexing Benefits Account (funds available to finance future adjustments)	53,311		
Total	**149,535**		

* $Thousands

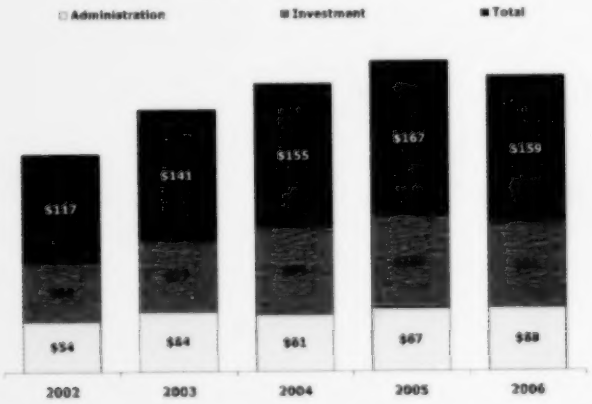
Refer to Notes 5 and 6 of the Audited Consolidated Financial Statements for additional information.

Note: The non-matching employer's portion of the pension liability is unfunded for most employers. Refer to Schedule 2 of the Audited Consolidated Financial Statements for additional information.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest in Canada for complex defined benefit plans. The total annual cost per member for 2006 was $159 consisting of $68 for administration and $91 for investment related expenses.

Annual Cost Per Member



Rising investment costs are mainly due to higher transaction costs in Non-North American markets. Investing in markets outside of North America costs more, however, the benefit in the form of good expected returns and diversification oftentimes outweigh the higher expense.

The decrease in investment costs during 2006 was due to lower external manager fees as more of the U.S. and international funds were managed internally.

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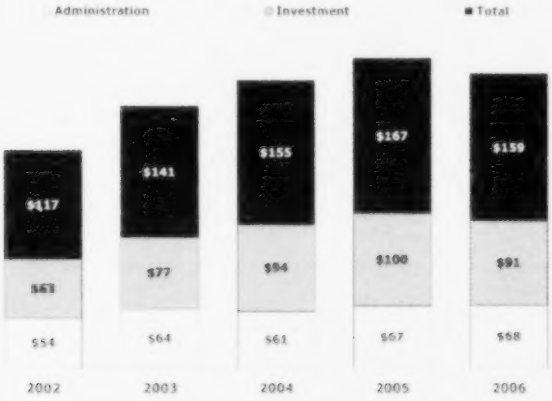

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The decrease in investment costs during 2006 was due to lower external manager fees as more of the U.S. and international funds were managed internally.

Five-Year Comparative Statistics

		2002 (*)	2003 (*)	2004 (*)	2005 (*)	**2006 (*)**
Investments	Rate of Return	1.47%	13.44%	13.71%	14.50%	**12.85%**
	Market Value	2,300,348	2,625,553	2,946,144	3,384,202	**3,836,359**
Contributions and Payments	Employee Contributions	71,526	72,744	77,755	90,885	**100,844**
	Employer Payments	77,794	83,080	89,725	100,715	**111,803**
	Total	**149,320**	**155,824**	**167,480**	**191,600**	**212,647**
Payments from the Fund	Pension Benefits Paid	154,417	166,733	181,004	195,061	**211,617**
	Refunds and Transfers	14,358	12,167	12,930	18,306	**25,490**
Expenses	Administrative	2,127	2,588	2,600	2,888	**2,980**
	Investment, net	2,490	3,142	4,019	4,312	**4,035**

* $Thousands unless otherwise noted

		2002	2003	2004	2005	**2006**
Membership	Non-Retired Members	27,867	28,132	29,611	29,750	**30,005**
	Pensioners and Other Recipients	11,925	12,454	12,999	13,528	**14,101**
	Total Members	**39,792**	**40,586**	**42,610**	**43,278**	**44,106**
	Refunded/ Transferred Members	1,092	992	922	1,133	**1,322**
	Retirements	739	778	811	818	**840**

Financial Information

Management Report

The accompanying consolidated financial statements of The Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting policies, as stated in the notes to the consolidated financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to March 2, 2007.

The firm of Ellement and Ellement has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual consolidated financial statements.

The Auditor General performs an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the consolidated financial statements.

Ultimate responsibility for the consolidated financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the consolidated financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the consolidated financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

Bruce Schroeder
General Manager

Allen Borle
Director, Finance

Report of the Office of the Auditor General on The Civil Service Superannuation Fund

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba and
To the Members of the Civil Service Superannuation Plan

We have audited the consolidated statement of net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2006 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2006 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
March 2, 2007

Carol Bellringer, FCA, MBA
Auditor General

Consolidated Statement of Net Assets Available for Benefits

as at December 31, 2006

($) Thousands	2006	2005
Assets		
Investments, Schedule 1, Notes 2(b) and 4	$3,836,359	$3,384,202
Equipment	173	235
Prepaid expenses	228	231
Debt due from the Province of Manitoba, Note 8	1,826	1,826
Receivables	3,033	6,700
Accrued dividends and interest	16,331	16,875
Total assets	**3,857,950**	**3,410,069**
Liabilities		
Accounts payable and accrued liabilities	3,795	5,539
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 12	274,118	200,245
Correctional Officers' Trust Account, Note 9	3,884	3,474
Employer Trust Accounts, Note 10	51,761	45,547
Money Purchase Accounts Plan, Note 11	14,469	12,856
Total liabilities	**348,027**	**267,661**
Net assets available for benefits, Exhibit B	**$3,509,923**	**$3,142,408**

Chairperson of the Board

Chairperson, Finance and Audit Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

for the Year Ended December 31, 2006

($) Thousands	2006 Basic Benefits Account	2006 Indexing Benefits Account	2006 Total	2005 Total
Increase in assets				
Contributions, Schedule 2, Note 1(b)				
Employees	$92,626	$8,218	**$100,844**	**$90,885**
Employers	111,332	471	**111,803**	**100,715**
Total contributions	203,958	8,689	**212,647**	**191,600**
Net investment income, Schedule 3	90,366	23,350	**113,716**	**96,680**
Current period change in fair value of investments	280,247	-	**280,247**	**297,292**
Other	74	-	**74**	**74**
Total increase in assets	**574,645**	**32,039**	**606,684**	**585,646**
Decrease in assets				
Pension benefits paid	196,603	15,014	**211,617**	**195,061**
Refunds and transfers	25,490	-	**25,490**	**18,306**
Administrative expenses, net, Note 13	1,614	-	**1,614**	**1,552**
Transfer to employer trust accounts	448	-	**448**	**572**
Total decrease in assets	**224,155**	**15,014**	**239,169**	**215,491**
Increase in net assets	**350,490**	**17,025**	**367,515**	**370,155**
Net assets available for benefits at beginning of year	2,949,314	193,094	**3,142,408**	**2,772,253**
Increase in net assets	350,490	17,025	**367,515**	**370,155**
Net assets available for benefits at end of year, Exhibit A	**$3,299,804**	**$210,119**	**$3,509,923**	**$3,142,408**

1. Description of Plan

The following description of the Civil Service Superannuation Plan (the "Plan") is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the "Act").

(a) General

The Civil Service Superannuation Board (the "Board") and the Civil Service Superannuation Fund (the "Fund") were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

(b) Funding

The Act requires that employees contribute 6% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum each year. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The matching employer contribution rate is at 5.1% on pensionable earnings up to the CPP maximum pensionable earnings and 7% of pensionable earnings above that maximum each year.

Under provisions of the Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. However, non-matching employers are not billed for the cost of the pension formula improvement implemented in 2000. Matching employers similarly do not contribute toward the 2000 pension formula improvement.

The Fund's net assets available for benefits are primarily comprised of contributions from employees and matching employers together with investment income. These assets are intended to finance the Fund's portion of the Plan's actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The non-matching employers' portion of the obligation for pension benefits as shown in Note 5 is unfunded.

One-half of the cost-of-living benefit payments are charged to the Indexing Benefits Account. All other benefit payments are charged against the Basic Benefits Account. The recovery of the non-matching employers' share is credited to the Basic Benefits Account.

The cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefits Account is actuarially able to finance one half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in Consumer Price Index (Canada) until the Indexing Benefits Account can pre fund anticipated adjustments for the next twenty years.

(c) Pension Calculation

The lifetime pension calculation equals:

(i) 2% of a member's best five-year average pensionable earnings multiplied by pensionable service.
(ii) minus .4% of the average CPP maximum pensionable earnings for the same period multiplied by pensionable service since January 1, 1966.

The lifetime pension is subject to an overall maximum of 70% of the average earnings described in (i) above. Some pensions for members retiring prior to age 60 are subject to an early retirement reduction.

(d) Excess Contributions

On termination, retirement or death, if a member's contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

(e) Retirement

A member with ten or more years of qualifying service is eligible to retire at age 55.

A member with one or more years of qualifying service is eligible to retire at age 65.

All members must commence pension benefits no later than the last day of the calendar year in which the member attains 69 years of age.

Eligible members of the Province of Manitoba's Corrections Component may retire as early as age 50.

(f) Disability Pensions

A member with ten or more years of qualifying service is eligible to apply for a disability pension.

(g) Survivor's Benefits

A survivor's benefit is payable to a spouse or eligible survivor(s) of a member who dies with two or more years of qualifying service.

(h) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a member where no survivor's pension is paid.

(i) Withdrawal Refunds

Upon application and subject to lock-in provisions, withdrawal refunds are payable when a member ceases to be employed by a participating employer. Members with two or more years of qualifying service may choose to leave their contributions in the Plan as a vested member.

(j) Income Taxes
The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

(k) Money Purchase Accounts Plan
The Board administers and maintains a separate Money Purchase Accounts Plan on a trust basis as provided for in the Act.

2. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation
The consolidated financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles. They are prepared to assist participants and others in reviewing the financial activities for the fiscal year.

(b) Investments
Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

Fixed Income
(i) Short-term investments are valued at cost, which approximates market and short term equivalents are valued at market by independent sources.

(ii) Bonds and debentures are valued at market by independent sources.

(iii) National Housing Act (Canada) and other mortgages are valued based upon the present value of future discounted cash flows. Pooled mortgage funds are valued at market by the external manager.

Equity
(i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.

(ii) Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.

(iii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.

(iv) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.

(v) Real estate shares include the value of 17 real estate subsidiaries that have not been accounted for on a consolidated basis, but whose value ($219,925) is included in the Consolidated Summary of Investments, Schedule 1.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) Foreign Currency Translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the current period change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(e) Equipment

Computer equipment costing less than $15 and all furniture purchases are charged to operations in the year of acquisition. Mid-range computer equipment cost is amortized over 5 years and microcomputer equipment cost is amortized over 3 years.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation and to obtain the best possible return at acceptable risk, the Board established an investment asset mix policy of 40% fixed income (2005 - 40%) and 60% equity (2005 - 60%).

The term to maturity and related market values of fixed income investments are as follows:

Term to Maturity	2006	2005
Less than one year	$68,139	$150,318
One to five years	389,250	384,271
Over five years	800,173	726,382
Total fixed income investments	**$1,257,562**	**$1,260,971**

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. For example, 95% of bonds and debentures must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2006 external fund managers had entered into no forward foreign exchange contracts (2005 - $Nil) on behalf of the Fund.

4. Investment in Petroleum and Natural Gas

(a) Investment in Petroleum and Natural Gas

The fair value of the Fund's investment in petroleum and natural gas, through its 74.42% (2005 - 74.42%) share in its subsidiary Superman Resources Inc., as at December 31, is as follows:

	2006	2005
Assets		
Cash	**$6,281**	$11,054
Accounts receivable	7,478	10,046
Deposit	688	585
Investment - Wembley Resources Ltd.	1,110	1,117
Property and equipment	86,377	93,763
	101,934	**116,565**
Liabilities		
Accounts payable and accrued liabilities	7,637	12,962
Asset retirement obligation	8,078	9,866
	15,715	**22,828**
Net investment in petroleum and natural gas - cost	86,219	93,737
Market value adjustment	55,010	74,452
Net investment in petroleum and natural gas - fair value, Schedule 1	**$141,229**	**$168,189**

(b) Petroleum and Natural Gas Income

The Fund's petroleum and natural gas income and retained earnings for the year ended December 31, is as follows:

	2006	2005
Revenue		
Oil and gas sales	$47,592	$61,173
Less: Royalties net of Alberta Royalty Tax Credits	8,631	12,411
	38,961	48,762
Interest and other income	289	190
Gain on disposal of investments	-	413
Equity in earnings of Wembley Resources Ltd.	274	411
	39,524	**49,776**
Expenses		
Depreciation and depletion	16,105	17,787
Production	8,886	8,857
Asset administration	2,717	1,891
Accretion	413	402
General and administrative	220	165
Legal and audit	72	49
Directors' expenses	23	11
	28,436	**29,162**
Net income	**11,088**	**20,614**
Retained earnings, beginning of year	7,659	4,706
Dividends - petroleum and natural gas, Schedule 3	(18,606)	(17,661)
Retained earnings, end of year	**$141**	**$7,659**

5. Obligations for Pension Benefits

(a) Obligation for pension benefits

(i) Basic Benefits Account

In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Fund as at the valuation date,
- determine the adequacy of the contributions being received in relation to the portion of the benefits financed by the Fund, and
- provide recommendations as to the future course of action based on the financial position revealed.

The triennial Actuarial Valuation Report on the Fund was completed as at December 31, 2004 by Ellement and Ellement, consulting actuaries.

The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2006. The principal components of the changes in actuarial present value during the year were calculated and are as follows:

	Basic Benefits Account			
	Fund 2006	Non-Matching Employers 2006	Total 2006	Total 2005
Actuarial present value of accrued basic pension benefit obligations based on service to date, beginning of year	**$2,546,724**	**$2,087,819**	**$4,634,543**	$4,086,924
Experience loss/(gain)	-	-	-	141,282
Benefits accrued	113,537	93,396	**206,933**	185,051
Benefits paid	(111,210)	(99,022)	**(210,232)**	(188,624)
Interest on accrued benefits	165,613	135,525	**301,138**	274,716
Change in actuarial reserves	123,948	101,613	**225,561**	135,194
Actuarial present value of accrued basic pension benefit obligations based on service to date, end of year	**$2,838,612**	**$2,319,331**	**$5,157,943**	$4,634,543

The non-matching employers' portion of the accrued basic pension benefit obligation is unfunded. These non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. Non-matching employers are not billed for the cost of the pension formula improvement that was effective from September 1, 2000.

The Actuarial Valuation Report and the estimate at December 31, 2006 were based on the same set of assumptions. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information. In accordance with the methodology set out in the triennial actuarial valuation, the actuary has phased in some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation.

Significant long-term actuarial assumptions used in the December 31, 2004 Valuation and in the determination of the present value of the accrued basic pension benefit obligations were:

Annual rate of return	
(i) inflation component	2.50%
(ii) real rate of return	4.00%
	6.50%
Annual salary escalation rates	
(i) general increases	
a) inflation component	2.50%
b) productivity component	0.75%
	3.25%
(ii) service, merit and promotional increases *	

* the rates used vary by age groupings from a high of 3.0% to a low of 0%

(ii) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement, consulting actuaries, as at December 31, 2005. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2006 and is as outlined below. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 6.00%.

Indexing Benefits Account

	Fund 2006	Non-Matching Employers 2006	Total 2006	Total 2005
Actuarial present value of accrued indexing pension benefit obligations, beginning of year	**$124,340**	**$118,783**	**$243,123**	**$231,781**
Experience loss/(gain)	-	-	-	**(1,043)**
Cost-of-living accrual effective July 1	11,503	10,989	**22,492**	**20,968**
Benefits paid	(15,014)	(12,284)	**(27,298)**	**(25,315)**
Interest on accrued benefits	7,699	7,418	**15,117**	**14,342**
Change in actuarial reserves	2,608	2,491	**5,099**	**2,390**
Actuarial present value of accrued indexing pension benefit obligations, end of year	**$131,136**	**$127,397**	**$258,533**	**$243,123**

(b) Fund's Asset Valuation

The actuary adjusts net assets available for benefits to smooth investment gains (losses) over five years and to recognize amounts reserved for future indexing benefits.

The actuarial asset values used in the estimate of the Fund's pension obligations were:

	Basic Benefits 2006	Indexing Benefits 2006	Total 2006	Total 2005 (Restated)
Net assets available for benefits, Exhibit B	$3,299,804	$210,119	**$3,509,923**	**$3,142,408**
Amount reserved for future indexing benefits	(145,000)	(19,369)	**(164,369)**	**(164,767)**
Adjustment for the actuarial value of assets	(107,244)	(6,304)	**(113,548)**	**(101,646)**
Actuarial value of net assets available for benefits	**$3,047,560**	**$184,446**	**$3,232,006**	**$2,875,995**

The above $145,000 reflects a reserve for the scheduled transfer of the 2004 Basic Benefits surplus, without interest, to the Indexing Benefits Account, subject to legislative approval. In the prior year, it was assumed that the entire 2004 Basic Benefits surplus, plus interest growth thereon would have been transferred. However, the Memorandum of Understanding signed by the Employee Liaison Committee and the Employer Advisory Committee only commits to the $145,000.

6. Additional Actuarial Information

(a) Total Actuarial Pension Liabilities For The Basic Benefits Account

The actuary determines the actuarial liability for net future service as a component in the actuarial valuation completed for funding purposes. The total actuarial Basic Benefit pension liabilities at December 31, 2006 have been estimated based on service to date and net future service as follows:

	Fund 2006	Non-Matching Employers 2006	Total 2006	Total 2005
Service to date, Note 5	$2,838,612	$2,319,331	**$5,157,943**	$4,634,543
Net future service	112,723	92,570	**205,293**	96,455
Total actuarial pension liabilities	**$2,951,335**	**$2,411,901**	**$5,363,236**	**$4,730,998**

(b) Basic Benefits Actuarial Position (Fund Only)

The Fund had an estimated going concern actuarial surplus of $96,224 as at December 31, 2006 (Restated 2005 Accounting estimate – $108,816) in the Basic Benefits Account, after including pension benefit obligations for service to date and for future service actuarial liabilities.

(c) Indexing Benefits Actuarial Surplus (Fund Only)
The funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be $53,311 as at December 31, 2006 (Restated 2005 Accounting estimate - $43,194).

7. Employer Assets Provided for Pension Obligations

Readers should refer to the latest audited employer financial statements, including financial statements of the Government of the Province of Manitoba and its participating agencies, to determine how employers fund pension obligations.

8. Debt due from the Province of Manitoba

Under Section 24(1) of the Act, the Province of Manitoba assumed an accrued liability of $1,826 for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

9. Correctional Officers' Trust Account

Effective November 19, 1996 employees who are members of the Province of Manitoba's Corrections Component are required to contribute an additional 1% of pensionable earnings. These additional contributions are credited to this trust account and are intended to fund the additional pension benefits for eligible employees who may retire as early as age 50 with no reduction for early retirement providing the total of age and qualifying service equals 75 or greater.

10. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account.

11. Money Purchase Accounts Plan

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board.

12. The Province of Manitoba Unfunded Pension Liability Trust Account

The Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act came into effect on August 18, 2000. This Act requires the Province of Manitoba (the "Province") to establish a fund and to make payments to the established fund.

Under the terms of a March 6, 2001 agreement between the Province and the Board, the Province established a fund with the Board and the Province is making the required payments to this fund. As well, the Province is making payments to this fund that are related to the Special Operating Agencies unfunded pension liabilities. Payments received by the Board from the Province are held by the Board in trust for and on behalf of the Province and are invested by the Board on behalf of the Province. The payments received are not assets of the Plan and accordingly, they are accounted for by the Fund in the Unfunded Pension Liability Trust Account. This trust account earns investment income at a rate of return equal to the rate of return earned by the Fund. The Board receives an investment management fee for its services. The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund.

13. Administrative Expenses

	2006	2005
Salaries and fringe benefits	$3,226	$3,134
Professional fees	154	147
Office and administration	925	927
	4,305	**4,208**
Less: recoveries from other administered funds		
regular administration	(1,325)	(1,239)
one-time administrative recovery	-	(81)
Fund administrative expenses	2,980	2,888
Less: recoveries from non-matching employers	(1,366)	(1,336)
Administrative expenses, net	**$1,614**	**$1,552**

14. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from these financial statements.

The fair values of these other funds under administration on a trade date basis at December 31 are:

	2006	2005
The Manitoba Hydro Pension Fund	$784,132	$694,837
Joint Board of Trustees of The Municipal Employees Benefits Program	439,019	398,289
The Public Service Group Insurance Fund	139,888	124,888
Workers Compensation Board of Manitoba	80,404	70,635
Centra Gas Manitoba Inc.	73,748	65,883
Winnipeg Child and Family Services Employee Benefits Retirement Plan	30,556	41,413
Legislative Assembly Pension Plan	991	-
	$1,548,738	**$1,395,945**

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

15. Comparative Figures

Comparative figures for the year ended December 31, 2005 have been restated to conform to the presentation adopted for the current year.

Schedule 1 - *The Civil Service Superannuation Fund*

Consolidated Summary of Investments

as at December 31, 2006

($) Thousands	2006	2005
Fixed income investments		
Cash and Short-term		
Government and corporations	$57,409	$122,564
Bonds and debentures		
Pooled fund	1,160,337	1,103,049
Mortgages		
National Housing Act (Canada)	2,373	2,568
Other	1,972	2,385
Index-linked	35,471	30,405
Total fixed income investments	**1,257,562**	**1,260,971**
Equity investments		
Pooled funds		
Domestic	932,712	829,369
Foreign	1,125,021	815,468
Real estate		
Participating bonds	85,999	79,162
Shares, Note 2(b)(v)	259,626	208,219
Petroleum and natural gas shares, Note 4	141,229	168,189
Venture capital	34,210	22,824
Total equity investments	**2,578,797**	**2,123,231**
Investments, Exhibit A	**$3,836,359**	**$3,384,202**

Consolidated Schedule of Contributions

for the Year Ended December 31, 2006

	2006			2005
($) Thousands	Employers	Employees	Total	Total
Non-Matching Employers, Note 1 (b)				
Province of Manitoba Civil Service	$72,999	$40,207	$113,206	$107,664
Manitoba Hydro-Electric Board	27,399	19,072	46,471	41,952
Manitoba Public Insurance Corporation	3,275	5,047	8,322	7,369
Liquor Control Commission	2,567	1,306	3,873	3,470
Red River College	112	3,302	3,414	3,148
Addictions Foundation of Manitoba	744	742	1,486	1,267
Community Colleges				
Assiniboine Community College	29	871	900	880
University College of the North	-	768	768	742
Regional Health Authorities				
Winnipeg	-	814	814	928
Brandon	-	769	769	818
Assiniboine	-	320	320	343
Central	-	318	318	372
Interlake	-	297	297	309
Parkland	-	276	276	295
South Eastman	-	109	109	116
Nor-Man	-	91	91	95
North Eastman	-	90	90	108
Burntwood	-	52	52	52
The Legal Aid Services Society of Manitoba	204	483	687	686
Manitoba Centennial Centre Corporation	254	120	374	375
Teachers' Retirement Allowances Fund Board	140	126	266	191
Communities Economic Development Fund	190	57	247	94
The Council on Post Secondary Education	50	32	82	81
Manitoba Horse Racing Commission	14	8	22	25
Workers Compensation Board	14	-	14	14
Diagnostic Services of Manitoba	-	2	2	-
Manitoba Agricultural Credit Corporation	-	-	-	445
Total Non-Matching Employers	**$107,991**	**$75,279**	**$183,270**	**$171,839**

Consolidated Schedule of Contributions

For The Year Ended December 31, 2006

		2006		2005
($) Thousands	Employers	Employees	Total	Total
Total Non-Matching Employers, continued	**$107,991**	**$75,279**	**$183,270**	**$171,839**
Matching Employers, Note 1 (b)				
Manitoba Lotteries Corporation	2,167	2,470	4,637	4,308
Manitoba Housing Authority	558	640	1,198	1,139
Manitoba Government and General Employees' Union	311	331	642	452
Manitoba Agricultural Services Corporation	541	344	885	-
Manitoba Crop Insurance Corporation	256	300	556	879
Civil Service Superannuation Board	225	244	469	436
Gaming Control Commission	153	232	385	258
Travel Manitoba	94	106	200	152
Manitoba Hydro Utilities Service	84	99	183	-
Manitoba Floodway Authority	83	90	173	145
Industrial Technology Centre	70	77	147	148
National Agri-Food Technology Centre	63	72	135	116
Dairy Farmers of Manitoba	58	63	121	118
Manitoba Pork Marketing Co-op Inc.	44	51	95	94
Manitoba Pork Council	48	41	89	75
Manitoba Film and Sound	24	27	51	56
Manitoba Development Corporation	24	26	50	-
Crown Corporations Council	23	25	48	46
Manitoba Chicken Producers	16	18	34	29
Manitoba Arts Council	9	10	19	30
Manitoba Turkey Producers	6	6	12	11
Manitoba Hazardous Waste Management Corporation	5	5	10	10
Economic Innovation and Technology Centre	-	1	1	-
Total Matching Employers	**4,862**	**5,278**	**10,140**	**8,462**
Other				
Employees on loan	6	6	12	8
Employees on workers compensation	-	5	5	5
Reciprocal agreement - transfers in	-	17,986	17,986	3,185
Reciprocal agreement - transfers out	(1,056)	(1,240)	(2,296)	(1,425)
Repayment of contributions previously refunded	-	95	95	89
Contributions based on prior non-pensionable employment	-	3,122	3,122	9,088
Transfer from Money Purchase Accounts Plan	-	313	313	351
Total Other	**(1,050)**	**20,287**	**19,237**	**11,299**
Total contributions, Exhibit B	**$111,803**	**$100,844**	**$212,647**	**$191,600**

Schedule 3 - *The Civil Service Superannuation Fund*

Consolidated Schedule of Investment Income

For The Year Ended December 31, 2006

($) Thousands	2006	2005
Fixed income		
Short term	$4,213	$3,485
Bonds and debentures	54,985	52,653
Mortgages	2,590	2,574
Total fixed income	**61,788**	**58,712**
Equity income		
Pooled funds	56,161	41,236
Real estate	17,948	15,010
Petroleum and natural gas shares[1], Note 4	18,657	17,661
Venture capital	1,231	2
Total equity income	**93,997**	**73,909**
Gross investment income	**155,785**	**132,621**
Less:		
Investment management expenses, net, Note 14	4,035	4,312
Transfer to Province of Manitoba unfunded pension liability trust account	29,961	24,177
Transfer to Correctional Officers' trust account	440	365
Transfer to Employer trust accounts	6,155	5,670
Transfer to Money Purchase Plan accounts	1,393	1,355
Transfer to Employee future benefits obligations	85	62
	42,069	**35,941**
Net investment income, Exhibit B	**$113,716**	**$96,680**

[1] In 2006, includes a final dividend payment from Canadian Pencrown Resources Limited of $51.

Notes

The Civil Service Superannuation Board (CSSB), 2007.

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